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C O N F I D E N T I A L BUENOS AIRES 000766

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SUBJECT: READOUT ON ARGENTINE PRESIDENT'S MEETING WITH  
CHILEAN PRESIDENT

REF: 05 BUENOS AIRES 1555

Classified By: Ambassador Lino Gutierrez, Reasons 1.4(b) and (d).

¶1. (C) POLOFF met March 31 with Oscar Fuentes Lira, First Secretary at the Chilean Embassy in Buenos Aires, for a

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readout of Chilean President Michelle Bachelet's March 21 meeting with President Nestor Kirchner in Buenos Aires.

¶2. (C) Lira said the meeting had gone well and that the two Presidents had signed a wide-ranging accord that identified areas of future cooperation. The agreement made general references to topics ranging from border integration, to energy, mining, and military cooperation. It also identified five specific infrastructure goals that would increase "connectivity" across the Andes mountain range: A) announce a simultaneous international tender by July 31, 2006 for the reconstruction of the Central Transandean Railroad; B) Conclude feasibility studies for a transborder tunnel at Agua Negra pass (reftel); C) complete infrastructure projects expanding links between the Argentine and Chilean sides in Tierra del Fuego; D) Upgrading the Paso Pehuenche frontier pass; and E) Begin feasibility studies for the Transcontinental Patagonian Railroad.

¶3. (C) Despite the apparently concrete goals, Lira said that Chile is wary of Argentina's habit of making political gestures that are never followed up. He said, however, that the Chileans wanted to move beyond infrequent, protocolary meetings between the two presidents towards regular working meetings to follow up on pending projects.

¶4. (C) Lira said that the two presidents also discussed Bolivia. Although he did not give details of the conversation, Lira said that in general Chile is also looking for Argentina to moderate Morales. He said that the two presidents did not discuss Venezuela.

¶5. (C) The only real bilateral problems, according to Lira, deal with the reliability of Argentine gas sales to Chile and a continuing disagreement on exactly where the border lies in the southernmost part of the Andes. Regarding the gas, Chile, which imports 100% of its gas from Argentina, does not

wish to see a repeat of 2005, when Argentina suddenly reduced its exports by half during Argentina's domestic gas shortage.

(Bachelet and Kirchner agreed to let a bilateral committee work on a long-term solution to the gas supply issue.) On the border dispute, a technical commission is working this, but Lira said ultimately "someone will lose." More generally, Lira said that Chile is constrained in how far it can accommodate Argentine political and economic desires, especially those that are anti-free trade.

¶6. (U) Comment: The reliability of Argentine natural gas exports varies from month to month depending on seasonal fluctuations in domestic energy demand and supply. A combination of these factors led to severe cuts in natural gas exports to Chile during the winter of 2004. By contrast, the winter of 2005 was manageable and the winter of 2006 is expected to be similar.

¶7. (C) Comment continued: A local diplomat told DCM in the wake of the visit that a close friend and Bachelet staffer told him that the Chileans were not as upbeat about the visit and found the Kirchner Administration without a clear plan of government and handicapped by incoherent economic policies. End Comment.

¶8. Reftel available at  
<http://www.state.sgov.gov/p/wha/buenosaires.< /a>>

GUTIERREZ